

**REBUTTAL TESTIMONY OF**

**SHERYL K. SHELTON**

**ON BEHALF OF**

**DOMINION ENERGY SOUTH CAROLINA, INC.**

**DOCKET NO. 2021-361-G**

**Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

A. My name is Sheryl K. Shelton, and my business address is 220 Operation Way, Cayce, South Carolina. I am the Manager of Energy Efficiency and Demand Management for Dominion Energy South Carolina, Inc. (“DESC” or the “Company”).

**Q. ARE YOU THE SAME SHERYL K. SHELTON WHO HAS PREVIOUSLY SUBMITTED DIRECT TESTIMONY IN THIS PROCEEDING?**

A. I am.

**Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

A. The purpose of my rebuttal testimony is to respond to certain matters raised in the direct testimony of O’Neil O. Morgan, witness for the Office of Regulatory Staff (“ORS”), David Dismukes, witness for the Department of Consumer Affairs, and Jim Grevatt, witness for the South Carolina Coastal Conservation League (“CCL”) and Southern Alliance for Clean Energy (“SACE”). I also address the testimony of Witness Grevatt, which includes his suggestion to significantly limit

1 the programs for customers that have been proposed by the Company—programs  
2 that the industry considers as standard offerings to natural gas customers. The lack  
3 of a response to any of the specific assertions made by either Witness Morgan,  
4 Witness Dismukes, or Witness Grevatt does not constitute the Company's  
5 agreement to those assertions.

6 **Q. WHAT IS YOUR UNDERSTANDING OF WITNESS GREVATT'S**  
7 **RECOMMENDED MODIFICATIONS TO, OR OUTRIGHT REJECTIONS**  
8 **OF, THE COMPANY'S PROPOSED NATURAL GAS EE PROGRAMS?**

9 A. Based on my review, Witness Grevatt would prefer that the Company's  
10 natural gas customers have only limited access to energy efficiency measures.  
11 While Witness Grevatt agreed with the proposed expansion of the EnergyWise Store  
12 as presented, he makes unpracticable and unworkable recommendations to the  
13 proposed NEEP. In fact, Witness Grevatt's recommendations to the NEEP—which  
14 provides energy efficiency offerings to DESC's low-income customers—would  
15 likely prevent implementation of the program.

16 Surprisingly, Witness Grevatt outright rejects both of the Company's  
17 proposed High Efficiency Gas Equipment programs. Instead of accepting these  
18 industry standard programs, Witness Grevatt proposes that the Company conduct  
19 needless, expensive, and time-consuming analyses that are seemingly designed to  
20 redirect DESC's *gas* customers towards *electric* heat pumps. This recommendation,

1 like his outright rejection of DESC's High Efficiency Gas Equipment programs,  
2 does nothing to actually help the Company's natural gas customers accomplish their  
3 energy efficiency goals.

4 **Q. WHY IS WITNESS GREVATT'S RECOMMENDATION TO CONDUCT**  
5 **FURTHER ANALYSIS OF THE NEEP UNNECESSARY?**

6 A. For the NEEP low-income program, Witness Grevatt has requested that the  
7 Commission direct the Company to conduct further analysis on the cost-  
8 effectiveness of offering the program on a dual-fuel gas and electric basis. I disagree  
9 with completing such analysis for several reasons.

10 First, the Commission has supported in previous orders that low-income  
11 programs do not have to pass cost effectiveness testing requirements to be offered  
12 to customers. The program was designed to be an expansion of the current NEEP  
13 offering and measures, thus allowing DESC's natural gas customers to similar  
14 access to the free installation of energy efficiency measures as the Company's  
15 electric customers. Witness Grevatt, however, does not propose useful  
16 recommendations or improvements to the NEEP. Instead, he proposes to  
17 fundamentally change the Company's proposed offering and measures—changes  
18 that would only delay program implementation and add unnecessary complexity to  
19 the administration of the program.

20 Also, adding Witness Grevatt's proposed recommendations would expand

1 the average NEEP home visit time. DESC has designed NEEP visits to last  
2 approximately 30-40 minutes—a visit time that is designed to balance measure  
3 installations against imposing on our customers' valuable time. Through experience  
4 and customer feedback, the Company has learned that there is an inverse  
5 relationship between the length of a NEEP home visit and success of scheduling  
6 that visit. Generally, customers have less interest in exploring the offering based on  
7 the expected time a Company representative would have to remain in a customer's  
8 home. Thus, I do not believe it is appropriate to add Witness Grevatt's  
9 recommendations.

10 Witness Grevatt also suggests that DESC investigate adding insulation and  
11 air sealing to NEEP. However, Witness Grevatt fails to mention or recognize that  
12 many low-income homes are not ideal candidates for such measures without first  
13 requiring the completion of needed maintenance work (broken windows, holes in  
14 walls, etc.). The Company has experienced this issue first-hand in its electric NEEP,  
15 as it has seen deferred maintenance issues, which often render the proposed air  
16 sealing or insulation useless, either delay or prevent the installation of air sealing or  
17 insulation measures. Moreover, deferred maintenance is outside of the scope of  
18 traditional energy efficiency measures and, for that reason, the Company does not  
19 offer insulation and air sealing under the existing core NEEP electric program and  
20 only offer insulation and air sealing to a limited number of select electric mobile

1 home customers.

2 Witness Grevatt's recommendation also fails to recognize that these energy  
3 efficiency improvements often have a direct impact on the building/home shell,  
4 which impacts the safe operation of combustion equipment and requires  
5 Combustion Appliance Zone ("CAZ") testing. Adding Witness Grevatt's proposed  
6 measures would require low-income natural gas customers' homes to undergo the  
7 additional testing requirements to ensure the safety of their premise, all of which  
8 would increase the length, skill set of the field staff completing the visit and overall  
9 expense of the NEEP visit.

10 Second, requiring DESC to complete a market analysis would not be a  
11 prudent use of ratepayer funds. Such analysis would be a time consuming and costly  
12 undertaking for a program that already does not pass the TRC test.<sup>1</sup> Moreover, such  
13 analysis would be unnecessary since DESC plans to undergo regular evaluation  
14 activities similar to what the Company is required to do for its electric portfolio  
15 program. Following annual evaluation, measurement, and verification ("EM&V")  
16 activities, DESC will review recommendations provided by the third-party  
17 evaluation and add or remove any measures as needed to improve the program.

18 Lastly, DESC has over eight years field experience implementing a low-

---

<sup>1</sup> The Commission has previously granted an exception to § 58-37-20, thus allowing DESC to offer low-income programs that are not cost effective. *See* Direct Testimony of Sheryl K. Shelton, at 13:10-17.

1 income program in our electric DSM portfolio and understands the cost implications  
2 associated with the changes Witness Grevatt has recommended. The intent and  
3 design of the proposed NEEP offering was to allow a larger number of natural gas  
4 customers to participate, similar to the access and measures provided to the electric  
5 customers. I believe the proposed NEEP offering is practical to implement, avoids  
6 undue complexity and provides a reasonable opportunity for a larger number of low-  
7 income customers to participate in expanding their energy efficiency education.

8 **Q. PLEASE EXPLAIN WHY THE COMMISSION SHOULD REJECT THE**  
9 **RECOMMENDATIONS MADE BY WITNESS GREVATT FOR THE HIGH**  
10 **EFFICIENCY GAS EQUIPMENT.**

11 Witness Grevatt suggests that the Commission reject the approval of two cost  
12 effective programs. DESC has proposed providing rebates for residential and  
13 commercial customers to invest in energy efficient natural gas equipment. Instead  
14 of accepting these industry standard offerings as presented, Witness Grevatt outright  
15 rejects the Company's proposal. Further complicating matters, Witness Grevatt  
16 recommends that DESC complete a market study, estimate net-to-gross ratios, and  
17 conduct additional analysis and then refile the programs with the Commission. The  
18 Commission should reject these costly and unnecessary recommendations.

19 Witness Grevatt's assessment disregards the fact that the proposed programs  
20 are new programs for DESC's natural gas customers, and thus DESC does not have

1 any indication or specific customer data to suggest that the market saturation for  
2 high efficiency gas equipment has already transformed in our service territory.  
3 Instead, Witness Grevatt compares another utility in a service territory that is much  
4 colder than the DESC service territory with a long-standing history of gas  
5 equipment rebates to the proposed offering. Additionally, Witness Grevatt fails to  
6 mention that the largest manufacturers of gas furnaces continue to make and sell  
7 80% AFUE gas furnaces to customers. These manufacturers would not continue to  
8 do so if there was no such market for this equipment.

9 Nevertheless, annual EM&V activities will focus on program impacts,  
10 determine the actual net-to-gross ratios, and make appropriate recommendations  
11 based on actual program data. DESC will then share the results of its annual EM&V  
12 activities with the Energy Efficiency Advisory Group during regular scheduled  
13 meetings and details will be contained in the EM&V report.

14 **Q. WHAT ARE THE ADDITIONAL CONCERNS PRESENTED IN WITNESS**  
15 **GREVATT'S TESTIMONY?**

16 A. While Witness Grevatt does state that high efficiency equipment is in the  
17 customer interests, he also believes that the Company should conduct analysis that  
18 compares the installation and operation cost of gas equipment measures to the cost  
19 of installation and operating electric equipment prior to approval of the programs.  
20 The Commission should disregard this request because the intent of the proposed

1 program is to encourage the Company's natural gas customers to replace inefficient  
2 natural gas equipment with more efficient natural gas equipment—something that  
3 is currently not being offered in our service territory.

4 The Company currently offers high efficiency equipment rebates that meet  
5 ENERGY STAR standards for its electric customers. The high efficiency gas  
6 equipment would be a complimentary offering for customers to influence them to  
7 purchase high efficiency gas equipment. A request to have the Company spend  
8 ratepayer funds to complete an analysis that would not directly benefit customers,  
9 increase the numbers of rebates, or educate DESC natural gas customers on the most  
10 likely option to replace existing equipment would not be a prudent use of customers  
11 funds.

12 **Q. IS WITNESS DISMUKES CORRECT THAT THE COMMISSION HAS**  
13 **DISCRETION TO NOT ALLOW THE COMPANY RECEIVE THE**  
14 **SHARED SAVINGS INCENTIVE (“SSI”)?**

15 A. No, that is not correct. Section 58-37-20 states that the Commission “must  
16 [] provide incentives and cost recovery for energy suppliers and distributors who  
17 invest in energy supply and end-use technologies that are cost-effective,  
18 environmentally acceptable, and reduce energy consumption or demand.” My  
19 understanding from that section is that the SSI is a statutorily-mandated payment  
20 that a utility must receive to incentivize utility investment in cost-effective energy

1 efficient technologies and energy conservation programs. Because the Company's  
2 proposed DSM programs meet the criteria of Section 58-37-20, the Company is  
3 entitled to an incentive.

4 **Q. HOW DOES THE COMPANY RESPOND TO WITNESS DISMUKES'**  
5 **SUGGESTION FOR A PERFORMANCE-BASED SSI?**

6 A. The Commission should rejected that concept. Structuring the SSI with  
7 performance-based criteria depending on the level of energy savings experienced as  
8 a result of the DSM programs actually penalizes the Company twice—once through  
9 a lower initial incentive and again through a reduction in the percentage of recovery.  
10 Such double penalty actually reduces the incentive to provide DSM programs to  
11 customers. The SSI should provide a reasonable mechanism to mitigate the  
12 potentially negative financial impacts and the risks to the utility associated with  
13 reduced sales experienced from an effective DSM program.

14 This Commission rejected a performance-based SSI in approving the  
15 Company's electric DSM programs. The Company asks that it do so again for the  
16 natural gas DSM programs.

17 **Q. HOW DOES WITNESS MORGAN SUGGEST THE SSI BE STRUCTURED?**

18 A. Witness Morgan proposes to set the SSI at the Return on Equity ("ROE")  
19 that will be established in the Company's upcoming general gas rate case  
20 proceeding.

1   **Q.    ARE ROE AND SSI DESIGNED EQUIVALENT CONCEPTS?**

2    A.           No. SSI and ROE are not equivalent and are designed to compensate the  
3           utility for different things. First, the statutory required SSI is separate from the  
4           General Assembly's authorization of a ROE.

5           It is my understanding that the ROE is designed to allow the utility to attract  
6           capital from investors in order to allow the utility to use that capital to ensure the  
7           system remains working in a safe and reliable manner. That consideration is not  
8           relevant to DSM. The SSI operates to incent the utility to create and offer DSM  
9           programs and is wholly distinct from the ROE. In sum, the legislature created the  
10          SSI to be separate from the Company's approved ROE.

11   **Q.    SUBJECT TO THAT DISTINCTION, WHAT IS THE COMPANY'S**  
12    **POSITION ON WITNESS MORGAN'S RECOMMENDATION FOR SSI?**

13   A.           The Company is willing to accept the recommendation of Witness Morgan  
14          to set the SSI for these gas DSM programs at the ROE as determined in its upcoming  
15          general gas rate case in so far as the Commission's order does not equate SSI to  
16          ROE on a going forward basis.

17          The Company proposes to set the SSI at 9.9% and true up the SSI to the  
18          return on equity set in the 2023 Rate Case as part of its 2024 Annual Update. This  
19          blends DESC's proposal to initially use an SSI of 9.9%—which is equal to the  
20          incentive that the Commission previously deemed appropriate for the Company's

1 electric DSM programs—while still incorporating Witness Morgan’s proposal to set  
2 the SSI at the ROE that will be established in the Company’s upcoming general gas  
3 rate case proceeding, which will be filed no later than April 1, 2023. Company  
4 Witness Smith provides the full details on implementing the SSI in her rebuttal  
5 testimony.

6 **Q. DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY?**

7 A. Yes.